REMARKS

1. Applicant thanks the Examiner for the Examiner's comments which have greatly assisted Applicant in responding.

2. **Claim Objections**. The Examiner has rejected Claim 9 because of informalities.

Applicant has amended Claim 9 accordingly.

Therefore, Applicant respectfully requests that the Examiner withdraw the Claim Objection.

3. **35 U.S.C. §103.**

(a) The Examiner rejected Claims 1-2, 7, 15, and 19 under 35 U.S.C. §103(a) as being unpatentable over Holloway *et al* (Holloway) U.S. 5,253,164 in view of Pendleton, Jr. (U.S. 6,253,186).

Applicant respectfully disagrees.

Claim 1

Regarding Claim 1, the Examiner stated in the prior art reference, the Examiner considers the step involved with proc ssing, analyzing, and verifying the claim as a

sequence of healthcare states associated with advancing th claim from on stat to the next, wherein a client enters claim information into a computer system which are sent to a knowledge base interpreter for assessment of the claim and a recommendation is returned to the user as to whether the claim is proper or improper.

Applicant respectfully points out that the claimed invention teaches a novel method for sequencing and novel sequencing models. Support follows below:

(On page 24, lines 23-31):

Once the sequences are set up, they are stored in a data structure in system database 500 or in working memory that lists the states in chronological order for each client. Each state is accompanied by the identification of the provider or facility responsible for the state (e.g., the identification number of the facility that the client visited, the physician that performed the procedure etc.), start and end date, insurance payment amount, type of illness (e.g., diagnosis code, MDC code) and other relevant information as necessary for computation of the transition sequence, such as physician specialty etc.

Applicant has amended Claim 1 to further clarify its distinction from the prior art reference.

Therefore, Claim 1 and its dependent claims are in allowable condition. Accordingly, Applicant respectfully requests that the Examiner withdraw the rejection.

Claim 15

Regarding Claim 15, the Examiner concludes that since Pendleton, Jr. teaches a mathematical network for computing the fraud indicator using averages, weighted average and threshold values, it would have been obvious to use mathematical methods for transition metric for each transition between states and transition metric for one or more sequences of states to the entity.

Applicant respectfully disagrees. Applicant refers the Examiner to the section in the Specification that discusses calculating transition metrics. Note that in just one example implementations, a transition metric is obtained through a data-driven Markov model.

Applicant is of the opinion that it is an improper rejection to conclude that mathematical averages used in the reference for computing a fraud indicator can be substituted for the claimed invention's derivation and use of transition metrics.

Therefore, Claim 15 and its independent claims are in allowable condition. Accordingly, Applicant requests that the Examiner withdraw the rejection.

(b) The Examiner rejected Claims 3-5, 8-14 and 16-18 under 35 U.S.C. §103(a) as being unpatentable over Pendleton, Jr. (U.S. 6,253,186).

Applicant respectfully disagrees.

Claim 3

Claim 3 is allowable in view of the argument put forth hereinabove that it is improper to conclude that one can substitute averages for transition probabilities.

Claim 8

Applicant has amended Claim 8 to further clarify its distinction from the cited reference.

Claim 9

Applicant has amended Claim 8 to further clarify its distinction from the cited reference.

Therefore, Claim 3, 8, and 9 and their respective dependent claims are in allowable condition. Accordingly, Applicant respectfully requests the Examiner withdraw the rejection.

4. It should be appreciated that Applicant has elected to amend the Claims solely for the purpose of expediting the patent application process in a manner consistent with the PTO's Patent Business Goals, 65 Fed. Reg. 54603 (9/8/00). In making such amendment, Applicant has not and does not in any way narrow the scope of protection to which Applicant considers the invention herein to be entitled. Rather, Applicant reserves Applicant's right to pursue such protection at a later point in time and merely seeks to pursue protection for the subject matter pr s nted in this submission.

CONCLUSION

Based on the foregoing, Applicant considers the present invention to be distinguished from the art of record. Accordingly, Applicant earnestly solicits the Examiner's withdrawal of the rejections raised in the above referenced Office Action, such that a Notice of Allowance is forwarded to Applicant, and the present application is therefore allowed to issue as a United States patent.

Respectfully Submitted,

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